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rts financed from other sources. It would not be feasible to change e capital goods loan into a general balance of payments of a support loan time to have much effect, if any, on the elections. This is also true ven if retroactive financing were to be offered, given the time required r the review and for working out and approving the mechanism to be sed, plus the time needed to place and then receive import orders from broad. Nor is the amount of money involved enough to have a major mpact on the Uruguayan balance of payments. Attempts to provide massive supporting assistance before the election (say $25 million) could probably not be put through in time, and in any event would be seen as direct U.S. intervention in the Uruguayan elections for political purposes.

3. The deterioration of municipal services in Montevideo, marked by littered garbage, potholed streets, and unheated, unlit and decaying school buildings, promises to become a significant election issue. Vigorous corrective steps are needed to demonstrate clearly that the Government is sincerely concerned with the people's welfare and can effectively "do things". The Municipality should be urged to improve its services and enlist the support and cooperation of private civic groups towards these same ends. PL 480 funding (up to 100 million pesos) could be provided for the refurbishing of schools.

4. The Department could also instruct our Embassies in Buenos Aires and Brasilia to approach the GOA and GOB, suggesting

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URUGUAY '71

that these Governments make additional credits available for import financing from their countries at least through November, in an attempt to reduce shortages and scarcities that are likely to develop.

VII. Psychological Courses of Action

1. There is a justified feeling among the young people of Uruguay that they are ignored and their aspirations frustrated. Embassy officers should take advantage of every appropriate opportunity discreetly to emphasize to Uruguayan leaders in the public and private sectors the great importance of taking and publicizing those actions which effectively demonstrate to Uruguayan youth that they have a role in the future of Uruguay.

VIII. Internal Security Courses of Action

1. We should encourage the GOU to ferret out and expose clandestine activities of the Soviet Bloc that support the Frente Amplio and other Communist activities in Uruguay.

2. We should continue efforts to encourage the GOU to intensify its use of communications media to promote wide public support for internal security measures and encourage greater public assistance in overcoming the terrorist problem by appeals to patriotism, offers of rewards, etc.

POL 1 GENERAL POLICY - BACKGROUND
URUGUAY '71

4. We should also advise and assist Uruguayan security forces constantly to update operational plans for the control of large scale mob actions and the effective use of riot control equipment.

POL 1 GENERAL POLICY - BACKGROUND
URUGUAY '71

Master Draft No. 3
7/19/71 Copy 2 of 7

Enclosure 1

Sample Format for Presentation of Action Program

POLITICAL ACTIONS

Action	Description	Approach	Timing
1. Commission on National Plans and Goals	Non-partisan, prestigious group to establish the framework of a program and recommendations to meet the nation's problems, for presentation to the new GOU Administration.	Embassy to consult informally with the President to suggest to him the value of such a Commission.	Short and long term; begin immediately.

ECONOMIC ACTIONS

etc.

5

POL 1 GENERAL POLICY, BACKGROUND
URUGUAY '71

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EMBASSY OF THE
UNITED STATES OF AMERICA

Montevideo

May 24, 1971

OFFICIAL-INFORMAL

Mr. Edward Marasciulo
Acting Director, ARA/APU
Department of State

Dear Ed:

Washington's interest in the Frente Amplio parallels our own concern that this well-organized and amply financed group is a new factor of significance in the Uruguayan equation.

For some time now we have been planning a regular series of reports on the Frente Amplio. The first reports have already gone forward and others are in preparation. Now that the Political Section is back to 3/4 of its full strength, we shall try to keep to a schedule of at least bi-monthly reports on the Frente and its activities.

In addition, you will be interested to know we have set up a Task Force of some of our brightest officers to see what counter actions could, or should, be taken to frustrate the Frente. I'll be sending you copies of our working papers for your information only.

All send best wishes.

Sincerely,

Frank

Frank V. Ortiz
Deputy Chief of Mission

Enclosures:
1. Memorandum dtd May 19, 1971 (LIMDIS)
2. Memorandum dtd May 19, 1971
3. Memorandum dtd May 4, 1971
4. Memorandum dtd May 24, 1971 (SECRET LIMDIS)

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POL 1 GENERAL POLICY - BACKGROUND
URUGUAY '71

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SECRET

POL 1 GENERAL POLICY - BACKGROUND
URUGUAY '71

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LIMITED DISTRIBUTION

MEMORANDUM May 19, 1971

TO: The Ambassador

THRU: DCM - Mr. F. V. Ortiz

FROM: ECON - William E. Knepper

SUBJECT: Planning for the Next GOU Administration

The event of overwhelming importance during the next six months within Uruguay is that general elections be held on schedule in November, that the elections be conducted so as to minimize any possible claim of fraud, and that the losers in the elections respect the outcome and play the role of the loyal opposition.

The recent statements by Alberto Gallinal appeared to indicate that he would not be a presidential candidate, but did desire to play a larger role leading to a "national reconciliation for a new Uruguay." The concept of a multi-party approach of all Uruguayans of good will to the solution of the urgent problems facing the country was endorsed by President Pacheco in his speech at Paysandú. Jorge Batlle has also supported the idea of a bipartisan approach to Uruguay's problems. Blanco leaders, such as Mario Heber, have also voiced support for such cooperation, beginning, however, with the next GOU administration.

It is probable that whether the next GOU administration is headed by a Colorado or a Blanco, the administration will need bipartisan support in the legislature for its programs. This will be especially essential as it is almost a certainty that the next administration, as did this one, will not have majority support in the legislature and that to obtain a working majority it will need substantial support from the other traditional party.

The tasks confronting the next GOU administration are gigantic. Little will be accomplished during 1971 towards their resolution--in fact the retrogression in economic policy will add accumulated indebtedness, domestic and foreign, to the next administration's problems. Much of 1972 is also apt to be lost in preparation (as was 1967) if plans for action are not begun now.

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URUGUAY '71

It might be possible, given the apparent concensus among the major political figures on the need for cooperation and mutual support for the policies and programs of the next GOU administration, that a start be made on this planning now. One approach to such bipartisan cooperation could be for President Pacheco Areco to call in the key political leaders in both traditional parties, and perhaps within the Frente Amplio as well. A citizens' bipartisan commission could be appointed by the President including national political leaders such as Gallinal, Ferreira Aldunate, Echegoyen, Jorge Batlle, Carlos Quijano, etc., as well as leaders in the church, education, business, and communications, to delineate problem areas for study by a technical staff. The bipartisan commission would appoint a technical secretary or executive director, with the highest professional qualifications, such as Enrique Iglesias, Ambassador Lacarte Muró, Ambassador Yriart (now at FAO), or perhaps Gallinal himself, who would be in charge of a technical staff to collect information, receive testimony, and prepare studies and recommendations in the fields set out by the commission. This staff would need to be adequately funded and equipped with office space, and secretarial and technical assistance, and would go out of business on March 1, 1972, when it would present its reports and outlines of possible courses of actions--"options"--to the incoming President. To ensure that the whole spectrum of opinions are represented, minority reports would be encouraged or possibly required. The staff for the committee could include the top young technicians from the GOU ministries, especially the Office of Budget and Planning, who will not be very busy during the remainder of this administration. It could also possibly include professionals from the University and private enterprise (ESSO, IBM). The assistance of international institutions, such as the UNDP, OAS, or the IBRD, could be requested for short-term specialists in the needed fields, as occurred with the CIDE plan.

The idea would be to solicit information and recommendations from a wide variety of sectors, including the Frente Amplio, on the various outstanding problems. The number of topics to be studied would be decided by the governing commission. The studies would presumably include subjects such as agricultural policy (which might meet the requirements of the second AID $15 million loan), reform of the banking structure, fiscal reform

POL 1 GENERAL POLICY, BACKGROUND URUGUAY '71

including both tax policy and expenditure control, social security reform, reorganization of the educational system and its funding needs, incentives for the private sector, etc. The studies would take into account the present status and problems within each sector, and the technical staff would then prepare recommendations--a range of options--and possibly draft legislation for consideration by the executive to submit to the Legislature.

Soliciting testimony from the best professionals within Uruguay, from whatever political faction, should be a good start towards bipartisanship. The studies underway could serve to diffuse some of the opposition to the present GOU and to dispel the feeling of inaction and inertia that is present in this election year, replacing it with the goal of "planning together for the future of Uruguay." This could be a lasting contribution of President Pacheco's administration to the Uruguayan people.

A key consideration would be the effect of such a bipartisan study group on the elections, and the political leaders could be expected to couch their response with this in mind. The ideal would be to lower temperatures and start a serious dialogue, giving some hope to the great majority of moderate Uruguayans. The Frente could be expected to attack the group as collusion of the two traditional, establishment parties, but might be exposed if the study group has a high level, professional quality.

This action will have to come from the Uruguayans themselves, and principally from President Pacheco for it will need substantial GOU financial and administrative support. Possibly it could be suggested informally and low-key--but at the highest levels--to several key Uruguayans with access to the President (Giorgi would be ideal, if he is not too negative). Alternately, Gallinal or Jorge Batlle could broach the subject with the President.

ECON:WEKnepper:jb 5-19-71

cc: POL:JLTull
USAID:WGRhoads

POL 1 GENERAL POLICY - BACKGROUND
URUGUAY '71

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MEMORANDUM

May 19, 1971

TO: The Ambassador

THROUGH: DCM - Mr. F. V. Ortiz

FROM: ECON - Harry A. Cahill

SUBJECT: GOU Rapprochement with Hostile Elements

REF: 1) Office memorandum of May 4, 1971
2) Country Team discussion, May 13, 1971

In the discussion of May 13 three new points emerged.

It was pointed out that Culture Minister Rath's idea of procurring a large number of scholarships for study abroad would not be as beneficial as the Minister thinks. Effort might be better directed towards constructive activity along the lines of a domestic Peace Corps. Such an activity, although misguided, already exists in the sense that anti-establishment elements (e.g., Medical School faculty) take students to slums and occasionally enlist their energies in social help projects. While the real aim of this activity is to discredit the state and point out lack of social justice, some good deeds are achieved. However, the role of directing youth toward constructive ends should be taken by the GOU and not abandoned to leftists for purposes of subversive agitation.

A sluggish attitude towards youth is found in the private sector, both in locally owned and foreign owned firms. American subsidiaries here generally use the excuse that young university graduates are too expensive to employ. They have not come to the conclusion that one capable person can do the work of several underpaid employees who often have three different jobs. Local companies are also racked by nepotism. Moreover, they tend habitually to defer payment of debts and often fail to fulfill terms of contracts. Another problem is aversion to contracting graduates from the University faculties of architecture, medicine, and law, the places where contacts with youth are most needed. The

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URUGUAY '71

practice of hiring students for work during summer vacation, widespread in the U.S., is not followed by industry here. Plants are usually so small that the training and supervision of part time employees for such brief periods is not feasible. However, talks with some American executives here indicated that a training period of six months would be worthwhile. This provides sufficient work output from the trainee and provides the trainee with useful education.

A bipartisan task force composed of Blanco and Colorado members could be formed to study economic problems and work toward resolving them. Such activity would have the effect of making the incoming administration knowledgeable and would equip it to deal quickly and more effectively with the issues which will confront it. The move would also show that the two parties are aware of the nation's economic difficulties and are making serious efforts to right them. In one important sense, the combined effort would represent a semblance of a platform, something neither party has yet presented.

ECON:HACahill:jb 5-19-71

POL 1 GENERAL POLICY - BACKGROUND
URUGUAY '71

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4 May 1971

Ambassador

THRU: Mr. Frank Ortiz, DCM
Harry Cahill, Commercial Attache

Recommendations for GOU rapprochement with hostile elements

REF: Country Team discussion, April 29, 1971

Before suggesting non-police actions which the GOU might take toward reducing unrest and terrorism we should look at the charges raised by the people against the present system. We should really say young people. This is the sector which will shape the future and the one where the cry is now most frenzied.

In my own experience criticism has tended to group itself into four complaints:

1) The rich are getting richer and the poor are getting poorer. In its drift, the government is doing nothing constructive but is throwing up a barrage of restrictive, short-sighted "medidas" which penalize the working man.

2) The United States, both in its government and business operations here, increasingly dominates Uruguay. The new embassy Chancery, looming conspicuously above the Rambla, symbolizes this dominance.

3) Senile, corrupt oligarchs control Uruguay, aligning themselves in various cliques. They are not capable, they cheat their country, and they block everyone else from positions of economic and political power.

4) There are no opportunities for youth. The Establishment will not talk to young people or even acknowledge their existence. The only solution is to destroy and rebuild from the bottom.

Boiled down to a common denominator, the charges cite a lack of social justice and economic opportunity -- and youth sees itself as the principal victim.

Rather than curse the darkness we can light a few candles. We are not limited to retreating inside our fortress embassy and writing reports culled from a select circle of contacts. We can

make suggestions discretely and appropriately in the public and private sectors. The present government has so few months in office that profound reforms cannot be made. However, reforms should be initiated. And on top of this a "new look" can be instituted, something that can be done fairly rapidly. The accent throughout should be on youth. If Uruguay's younger people continue to be excluded, the country's evolution promises to twist far leftward.

Some possible recommendations:

1) Foster the image of young, new men in key positions. Personalities which convey energy, without smear of corruption or staleness. Alert younger men who give the impression of having worked for a living and do not owe their position solely to knowing someone. With 60 ministerial changes already to its credit it is tragic that so few vital youthful executives have come to the fore. But where this has happened (BOR, Ministry of Industry and Commerce) the effect has been evident. Younger men should be placed in a wide number of executive jobs, and their presence must be publicized. The message "youth can get to the top" has to come across.

2) Realign and restaff the public relations office of the Executive Power. The functionaries there are regarded by more articulate and active officials as "kids" and "dullards" who do not know the business. At the same time the old plea to have Pacheco speak more to the people should not be given up. Contact between the President and the people is now needed more than ever. When referring to terroristic acts, the close similarities to the early Nazi and Fascist movements should be stressed. Show how current offenses are directly linked to those of sick forbears.

3) Establish a dialog between GOU officialdom and university youth and, equally important, the youth employed in the government's bureaucratic sprawl. This can be started by informal social contacts initiated by younger officials. A number of communication points already exist, e.g., legislative research projects and Ministry of Health - medical profession contacts. The GOU representatives should assume the attitude of listeners and occasionally of questioners in trying to find out what youth wants and what the administration can concretely do to help the betterment of the people. The "betterment of the people" is a slogan of every leftist movement from high school up. The question to be posed is "how can the government learn to assist towards this goal." When a dialogue starts it usually grows. Theoretically it could be nurtured into more institutionalized public forms. In any case, the exchange of views represents

a badly needed defusing action. A related dialog with the liberal clergy should go forward at the same time.

4) Find more responsible jobs within the GOU apparatus for qualified youth. This does not mean dumping more bodies into the bureaucracy. It means putting those already employed into meaningful, useful niches and replacing superannuated deadwood with young men and women. Toward this target we should suggest (a) an accelerated reform of the pension and retirement system (during the past two years of relative price stability more employees have been retiring because their pensions did not deteriorate overnight) and (b) management overhaul of government entities. Most of the latter complain of insufficient technical competence and the need of assistance from aborad. Yet as a recent Arthur Young Corporation survey of ANCAP showed, an organization can be loaded with qualified talent doing aimless, frustrating jobs outside their specialities. Chemical engineers were virtual clerks; personnel records were not organized to show any index of talent. Bitterness over performing emasculating work can be more insidious than that from being unemployed.

5) The making of a clear, concise investment code showing what Uruguay can offer a foreign investor. This was specifically suggested by Secretary Stans in 1970, but was afterwards neglected. Such a code is essential in attracting foreign investment here. Investment not only brings with it funds and the example of management and training which local industries need. It provides the incentive for the Uruguayans themselves to trust and invest in their own country. We often hear how well Uruguayans work abroad. The fact is, given proper supervision and pay, Uruguayans can also work well here. For example, United Merchants and Manufacturers Corporation (whose local subsidiary is SUDAMTEX) regards its Uruguayan workers as the all-around best in over 20 company branches around the world. The current climate of terrorism has chilled most investment plans. But the GOU must start working now towards the time when terrorism can be muted. Moreover, we may note that Israel, the organizer of one of the world's most effective foreign investment codes, has been rent by terrorism since 1918. Foreign investment can furnish the new industry that can provide the new jobs. We wince over 20 men in a government office where only five are really needed. But we cannot take the surplus 15 and shoot them. Work has to be found for them.

6) Trim away monopolistic and restrictive business regulations. New concepts, new companies with potential are frequently stillborn and prices kept high because older firms have been

given privileged rights to imports, production, distribution. etc. With this reform younger, more imaginative people could enter business and expand the economy.

7) Encourage the development of new business associations directed toward realistic commercial opportunities. Uruguay is obsessed with the formation of associations or "camaras", which are more social clubs than anything else. They are run by smug oldsters who usually are producers of traditional goods (opposing legislation which favors the export of non-traditional, more value-added goods) or owners of factories highly protected against more efficient foreign competition. Needed is emphasis on non-traditional exports and marketing, terms which the local business aristocracy finds difficult to comprehend. Through these more dynamic commercial associations, individual companies and appropriate government ministries, the hiring of more youth by industry should be promoted. For example, the recently formed Directorate of Foreign Commerce could become an intermediary, finding positions for qualified young people in growing export-oriented firms. The staff of the Directorate is one of the youngest of any GOU agency and should be able to establish rapport with youth if anyone could.

8) Alert our U.S.-owned firms here to the need to hire young people for executive development. While this is already being done by Ford, there is little similar initiative elsewhere.

9) Provide more ample credits and tax incentives for development of industry, including agro-industry, in the interior. This should be reinforced by more progress, and accompanying publicity, in the GOU's land reform or "colonization" program.

10) Stop flexing police muscles that are seldom or weakly used. It is questionable what slow moving police patrols wedged in blue GM wagons and even more slowly moving army patrols in jeeps really accomplish. In lumbering about the streets they tend to confirm accusations that the GOU is a posturing dictatorship which relies upon police coercion. They could be held in reserve and not made so visible, while other police elements tactfully intensify their efforts against subversive forces. The improvement of intelligence capacity, for example, ranks as a priority task. Less favored treatment of prisoners and stepped up efforts against the MLN - not slackened efforts - should accompany such measures as stated in paragraph numbered 1-9. There appears to be a hard core of malcontents whose terrorist ways are conditioned more by personal aberrations than by failures of social justice. While the mass of angry youth can be and should be approached by means aimed at proving a better life of opportunity, certain misfits should be hammered harder than ever but in less obtrusive ways.

Mr. ~~Tull~~ Cox

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Memorandum
May 24, 1971

To: DCM: Mr. Cox

From: POL: James D. Tull

Subject: Organization of "Impact" Task Force

Following are points which emerged from the initial meeting of the "Impact" Task Force, which is charged with reviewing activities this Embassy could take with regard to the "Frente Amplio".

1. This special group will be composed of:

DCM (as Chairman), ECON-Mr. Knepper, E/A -Mr. Morgan, AID-Mr. Rhoads, AID-Mr. Potter, ECON/COM-Mr. Cahill, USIS-Mr. Gould, POL/IAB-Mr. Block and POL-Mr. Tull.

A representative from the Military Attaches will also be added before the next meeting.

2. The group's initial task will be to submit and agree upon an inventory listing of all actions which this Embassy could undertake to counter or blunt the effectiveness of the "Frente", without regard to later decisions as to their feasibility or effectiveness. This listing should be divided into short-range actions (from now to Election Day 1971) and long-term actions (from now to Election Day 1976). Further, such actions should be subdivided into overt and covert activities.

3. To get the work under way, the group agreed to draft lists of possible Embassy actions in accordance with paragraph 2 above, under the following categories:

A - Direct political actions - Block, Morgan and Tull.

B - Economic actions - Knepper, Cahill, Rhoads and Potter.

C - Psychological actions - Gould, Morgan and Tull.

D - Internal Security actions - Morgan and DAO representative.

4. It was further agreed that Gould and Tull would draft a short statement spelling out the appeal which the "Frente Amplio" has to Uruguayan voters as a preamble to what will eventually become an action paper making specific recommendations.

5. First drafts of papers assigned under paragraphs 3 and 4 above are to be given to the DCM no later than Wednesday morning, May 26th.

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Several additional points were also discussed. The DCM agreed to
ise with the Ambassador the question of investigating what the CLA
oup does with its budget in the anti-"Frente" field. Mr. Block
ised a further question of the need to study exactly which of our
nterests are threatened by the "Frente Amplio".

. The activities of the "Impact" Group must be kept strictly confidential,
lthough Section staffs should be consulted on a general basis without
eference to the Task Force or to the Action Paper to be prepared. Papers
prepared by the Group should be classified no lower than Secret-Limdis.
I shall keep a complete file of all group drafts and minutes.

DISTRIBUTION:

DCM/AMB
E/A-Mr. Morgan
POL/LAB-Mr. Block
AID-Mr. Rhoads
AID-Mr. Potter
ECON-Mr. Knepper
ECON-Mr. Cahill
USIS-Mr. Gould
POL-Mr. Tull
DAO
SUBJECT
ARA/APU-Mr. Cox

RHOADS

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UNCLASSIFIED WR 6/5/71

MR. FRANK V. ORTIZ 26 May 1971

William G. Rhoads

Impact Projects for Uruguay to Counteract the "Frente Amplio" ----- "Brainstorming" Ideas.

Introduction

"The Stagnation of the economy, moreover, has often been a reflection of the inadequacy of public policy regardless of which of the major political parties has been in power. Many intellectuals, especially students and young professionals, have become disillusioned with the traditional parties because of their failure to make progress in solving Uruguay's economic problems. It is precisely this younger class of professionals which contributes much of the future leadership of a country, and its present critical attitude towards traditional parties and the institutions with which they are identified could constitute a potential threat to political stability in the future. The danger exists that, if Uruguay does not break out of its current stagnation in the near future, a fertile field could be presented to the enemies of democratic government in the latter half of the 1960's." AID Field Proposed Program for FY1963, page 2, prepared January 8, 1962, drafted by Richard J. Bloomfield.

I believe this was an accurate diagnosis of Uruguay's problems, and its prediction has come all-too-true. We now see the fading of the 1958-70

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stabilization program and its improved economic policymaking and management, and despite some gains made, the situation is still one of "inadequacy of public policy" and "failure to make progress in solving Uruguay's economic problems". This is what we must counter to defeat the Frente Amplio.

Uruguay is not a developing underdeveloped country, but an "undeveloping" developed country. In 1955, Uruguay's per capita GNP was about the same as that of Italy and half that of France. By 1967, Uruguay's GNP per capita had dropped about 17%, while the Europeans had moved ahead, so Italy had about double the GNP per capita of Uruguay, and France almost four times as much.

If we want analogies for the Uruguayan situation, we will not find them in the underdeveloped countries of the world, nor in the postwar histories of the developed countries, except perhaps to a minor degree in the relative stagnation of the United Kingdom. For equivalent per capita incomes and decreasing trends in per capita income, we must look to interwar Europe. Since Uruguay is still so old-fashioned in many ways, this is not an inappropriate period for comparison.

Unfortunately, while Europe in the 20s and 30s yields some analogous politico-economic developments to current happenings in Uruguay, it does not yield any success stories on how energetic politico-economic intervention by other states staved off disaster. Rather, the analogous European developments all led straight to disaster despite all efforts.

When we talk about impact projects and supporting assistance for Uruguay we are talking about techniques that have had failures and successes in the postwar period, in much different situations from what we face in Uruguay. Experience from Greece, Spain, Taiwan, Venezuela, etc., must be applied with great caution. The most relevant questions are "How would this technique have worked in Germany in 1930, in Austria in 1933, in France in 1938?" It is going to be hard to answer these questions.

Brainstorming Ideas

Short Run Projects.

1. Economic-political, overt, or perhaps covert funding. Provide funding and technical help to the YMCA or similar organization to provide large scale summer social service projects for Uruguayan school and university age youth. Provide work, recreation, study groups and mobilization in a balanced program. U. S. to subsidize heavily.

2. Economic-political, covert funding. Work with progressive but non-PDC Catholic groups and provide funding for program similar to proposed above, or to other Catholic initiatives that involve youth's commitment, desire to serve and idealism for constructive work.

3. Economic - overt. Provide counterpart to paint and repair schools

in Montevideo and provide students a cheerful and modern place to study.

4. Economic - overt. Provide Intendente of Montevideo short term funds and quick technical assistance to repair streets, clean up parks, etc., clean public buildings, etc., and remove shabby look from Montevideo. This creates lots of low skilled jobs and gives progressive look to current administration.

5. Economic - overt. Try Knepper scheme of getting President to name Commission to develop goals and projects and programs for next Administration.

5.a. Economic - covert. If above not feasible, get COMCORDE or other existing or ad hoc group to establish national goals and plans Commission and provide large amount of funds to hire best professional staff (including repatriating best Uruguayan economists and planners) to provide programs and plans before election for next Administration.

6. Economic - overt. Give AIFLD funds to start a lot of union "impact" projects for clinics, clubrooms, union headquarters, etc., to be started before election.

Long Run Programs

1. Political - covert. Put pressure on Brazil and Argentina to concern themselves with Uruguay and make economic, military and political concessions that will strengthen Uruguay against leftist takeover.

2. Economic-political - covert. Make large concessional loans or grants to Brazil (or Argentina) for domestic use, on condition that they make unilateral tariff and import control concessions to Uruguay that will stimulate Uruguayan exports and economic growth; i.e., bribe Brazil to make same concessions to Uruguay that U.S. and Common Market are making to LDC's on trade.

3. Economic - overt. Provide major grant, loan and technical assistance to City of Montevideo to help to finance renovation and improvements program, increase municipal efficiency, and make Montevideo a clean, modern well-kept city with image of progress, innovation, and good management.

4. Economic - overt. Make loan for road maintenance equipment and feeder roads, to increase rural mobility, increase attractiveness of non-Montevideo living, and stimulate internal non-Montevideo agricultural and industrial growth.

5. Economic - overt. Make loan for Palmar or Salto Grande power projects or other big politically oriented and popular project.

6. Economic - overt and covert. Offer major supporting assistance to GOU to cover deficit and finance investments, if it will meet tough conditions on macro-economic policies, better GOU coordination, more professional management of government, etc. Loan must be very large if it is to get a basically non-development minded GOU to make effort to

meet needed conditions for loan to be successful in producing image of effective, innovating government.

7. Economic - overt or covert. Make a major grant to start a new university level school of administration and economics with a private sector group, including industrialists who will undertake work-study programs for students, and provide job opportunities to graduates. Get contract with good business school - Harvard, Stanford, etc. - to train and provide professors, guide development, etc. This will cost lots of money.

8. Economic - overt. Make major grant or loan to GOU for complete physical refurbishment and renewal of physical facilities and for visiting professors, etc., if it will take over university, remove political influence, modernize curriculum and shorten it, provide full-time faculty, etc. Perhaps university should be broken in two, so university competition will arise.

9. Economic, psychological - overt or covert. Make major grants to CONCORDE or establish other private entity to study extent to which Uruguay is already socialized and blame country's past and current problems on failures of socialism and unwillingness to let private enterprise give dynamism to the economy because of welfare-state and excessive government control policies. Take initiative and make counterpropaganda

against failures of already heavily socialized Uruguay, showing that it is not private enterprise, but state socialism and control that is holding Urubuay back and a causing stagnation.

10. Economic - overt. Give AIFLD more money for long run impact projects with unions.

11. Economic-psychological. Provide support to YMCA or to Catholic groups for longer-run and larger programs of youth service to participate directly in building a better Uruguay through useful social projects, etc.

12. Economic - overt. Set up a special program of one or two year fellowships for most brilliant young Uruguayans. Recruit students in universities, or recent graduates, pay them while they learn English, and make fellowship stipend so irresistable that they will go to study in U. S. and pick up modern ideas, and U. S. achievement motivation.

13. Economic-psychological - overt. Work with Professor McClelland of Harvard University to set up Achievement Motivation Courses in Montevideo on as large a scale as possible for public public and private sector executives and perhaps politicians with technocratic interests. McClelland thinks achievement motivation can be taught, and this is great missing factor in leading Uruguayan circles.

14. Economic-Internal Security - overt or covert. Step up public safety program with emphasis on intelligence and penetration of subversive groups to break them up and deprive them of prestige.

15. Political - covert. Promote National Front system for Blancos and Colorados, like that of Colombia, to stop interparty fights, and get them to present joint front against the Frente Amplio.

16. Economic - overt or covert funding. Establish major private sector economic and social studies institute staffed with best young professionals (including present expatriates) to make in-depth economic and social analyses of Uruguayan problems. Do this on as large scale as availability of qualified professionals permits. Get U. S. or European technical assistance to group. ~~X&X~~ Keep free of political or institutional entanglements.

17. Economic - overt. Promote and provide loans for large scale cooperative housing programs.

18. Economic - overt. Pay management contracts to U. S. firms, or provide capital loans and management grants for U. S. firms to work with Uruguayan enterprises in joint ventures, to set up large scale export industries -- shoe factory, garment factory and marketing, fish freezing and exporting, etc. Provide training to Uruguayan management and workers on the job or in U. S. plants or training institutes. Have U. S. firm withdraw and leave 100% Uruguayan firm within five years.

19. Economic - overt. Get technically and ~~[illegible]~~ scientifically oriented firms in U. S. to accept large U. S. Government contracts for items they will manufacture in Uruguay, taking advantage of unused

Uruguayan resources of skilled labor, etc., while building plants, updating and modernizing attitudes of Uruguayan management and workers, providing ~~xxxxx~~ training, etc. Pick contracts for products that will establish permanent Uruguayan ~~pe~~ precision products industries.

20. Economic - overt. Make agricultural loan for supervised credit and other loans for agricultural purposes that will restore confidence to small and medium farmers and make them a prosperous element in Uruguay through increased production and exports.

21. Economic - overt. Make loan to establish a private development bank in Uruguay which can provide loans and equities to start new companies and industries in Uruguay and help dynamic firms to expand.

CONFIDENTIAL

Mr. James Tull 26 May 1971

Thomas Potter

Impact Projects for Uruguay to Counteract the "Frente Amplio"

Short Term

1. Supporting Assistance Loan - $15-20 million.

-The projected Central Government deficit may reach $80 million. We could finance $15-20 million. The major effect would be to support the present government by facilitating the present high level of expenditures with less inflationary damage.

2. Balance of Payments Support Loan - $15-20 million.

-If present import policies continue, there are going to be progressively fewer consumer goods on the market with more money available to buy them - an ideal situation for inflation, blackmarketeering and contraband. Furthermore, the local industry depends on a high level of imported raw materials, which are now cut off.

-A commodity import loan could be designed to disburse rapidly to facilitate a flow of goods onto the consumer market and finance raw materials in order to keep the local industry operating.

3. Amend 2nd Tranche of the Capital Goods Import Loan - $10 million.

-The main impact would be psychological/political - as a demonstration of support for the present government. Real resource

transfer would not take place for 6-9 months.

5. Continue negotiations on 2nd Tranche Capital Goods Import Loan -$10 million and $15 million Agricultural Credit Loan without much expectation of success.

Long Term - 3-5 years.

1. Maintain a lending level of $15-20 million per year over the next 3-5 years.

   -Loans relating to stimulation of private sector investment such as a follow-on Capital Goods Import Loan, the Agricultural Credit Loan with an agricultural machinery component, Fertilizer Loan, Grain Storage Loan, Private Development Corporation Loan (resurrected), etc.

2. Ex-Public Sector Employee Guaranty Loan Fund - $5 million.

   -Create a loan fund to guaranty private bank loans to ex-public sector employees who are seeking to begin a new type of economic activity in the private sector. The loan fund would be drawn upon only in the case of certain classes of defaults on private bank loans. Private bank loans would only be ~~xxxxx~~ guaranteed where the loan was directed toward favored classed of economic activity - i.e., buying a farm, establishing non-traditional export business, etc.

   -A variant would be to establish a fund in the Central Bank to discount private bank loans for the same purpose.

3. Fisheries Development Loan - $10 million.

-This should be proceded by two studies: (a) Definitive study of fish resources; (b) Study for consultative services for SCYP.

-The loan should be a releading credit managed by SCYP assisted by loan-funded technical assistance. All firms should be inventoried, qualified and approved. SCYP, with loan funds, should be authorized to participate in the equity capital of the firms as well as approve lending for capitalization.

FORM NO. 10
EDITION
GEN. REG. NO. 27
5010-107

UNITED STATES GOVERNMENT

Memorandum

TO : Mr. William G. Rhoads, AID Representative DATE: June 2, 1971

FROM : Carlos del Castillo

SUBJECT: M.O.P. inaugurations

Attached is a list of estimated M.O.P. inaugurations before the November elections.

List A is M.O.P.'s estimate of inauguration of architectural projects. When "M.O.P." is shown as the funding source, this means that the construction was carried out with the Ministry's own funds. "480" means the 1968 PL 480 program and "M.A." means funds from the 3rd tranche of the Ag Sector Loan (021). Amounts shown correspond to the counterpart input to a given project. As you know, on many occasions M.O.P. has supplemented this amount with its own funds in order to terminate a project. Further, since Minister Pintos Risso inaugurates projects by "stages", an inauguration may only correspond to a part of a project using up a portion of the amount shown. I was unable to obtain this type of additional information which would give you a more precise picture.

Of 41 inaugurations now planned, 25 have a counterpart input totalling 428 million U.P.

List B is an estimate of the inauguration dates of road construction projects with counterpart input. I could not obtain a list of the M.O.P.-funded projects to make a comparison.

CDC:em

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

M.O. - Termination dates of projects

Project	Funds	Department	Beneficiary
May			
Policlínica Goyenola	M.O.P.	Rocha	M.S.P.
Fac.Ingeniería - Centro Computación	M.O.P.	Montevideo	Universidad
Contraría - 15a. Sección	M.O.P.	Tacuarembó	M. Interior
Seguro de Salud Docente	M.O.P.	Montevideo	Universidad
Instituto Farmacodinámica - Hosp. Clinicas	M.O.P.	Montevideo	Universidad
Fac. Ingeniería - Remodelación Aulas	M.O.P.	Montevideo	Universidad
Liceo N° 13 - 6 aulas	26: (M.A.)	Montevideo	Secundaria
Escuela Maternal N° 8	M.O.P.	Montevideo	C. del Niño
June			
Liceo Paysandú - 6 aulas, Administración	6: (480)	Paysandú	Secundaria
Escuela N° 68	M.O.P.	San José	Primaria
Escuela N° 5 - Isla Mala	14: (480)	Florida	Primaria
Liceo N° 8	38: (M.A.)	Montevideo	Secundaria
Escuela Industrial - Colonia	22: (480)	Colonia	U.T.U.
Escuela Industrial - Colón	36: (M.A.)	Montevideo	U.T.U.
July			
Casa Dr. Ximenez	M.O.P.	Montevideo	M. de Cultura
Hospital Vilardebó - Sala 9	22: (480)	Montevideo	M.S.P.
Colonia "Dr. Berro" Suárez	6: (480)	Canelones	C. del Niño
Hospital Tacuarembó	7: (480)	Tacuarembó	M.S.P.
Escuela N° 5 - Rivera	12: (M.A.)	Rivera	Primaria
Liceo N° 14	9: (M.A.)	Montevideo	Secundaria
Liceo N° 18	13: (M.A.)	Montevideo	Secundaria

List A.

M.O.P. - Termination dates of projects

Project	Funds	Department	Beneficiary
August			
Escuela 33/66 Villa Muñoz	24: (480)	Montevideo	Primaria
Biblioteca Nacional - Salón de Actas	M.O.P.	Montevideo	M. Cultura
Liceo Zona Este, Salto - 5 aulas	M.O.P.	Salto	Secundaria
Escuela N° 51 - Ampliación	M.O.P.	San José	Primaria
September			
Hogar Estudiantil Treinta y Tres	20: (480)	Treinta y Tres	M. de Cultura
Liceo Paysandú - 2a. etapa	M.O.P.	Paysandú	Secundaria
Liceo Artigas - 4 aulas	8: (480)	Artigas	Secundaria
Clínica Kenny - Salto	M.O.P.	Salto	M.S.P.
Escuela N° 12 - Paso de los Toros	18: (M.A.)	Tacuarembó	Primaria
Escuela 101/136 Aires Puros	12: (480)	Montevideo	Primaria
Liceo N° 13 - Ampliación	26: (M.A.)	Montevideo	Secundaria
October			
Hospital Rio Negro - 1a. etapa	13: (480)	Rio Negro	M.S.P.
Escuela N° 4 - Paysandú - 5 aulas	14: (480)	Paysandú	Primaria
Cárcel de Libertad	M.O.P.	San José	M. Cultura/ M. Interior
Escuela 34/166 Peñarol	24; (480)	Montevideo	Primaria
Escuela Agraria Trinidad	15: (M.A.)	Flores	UTU
November			
Escuela Industrial - San José	M.O.P.	San José	UTU
Escuela N° 2 - Salto	14: (M.A.)	Salto	Primaria
Escuela Industrial Las Piedras	23: (M.A.)	Canelones	UTU
Hogar Femenino N° 1	6: (M.A.)	Montevideo	C. del Niño

List B

Before August 25

Route 5 (PL 480)

(a) Durazno - Paso de los Toros

(b) Paso de los Toros -

(c) Tacuarembó - Rivera

September: Doble Calzada Atlántida (M.A.)

(The bridge at Paso Melgarejo (M.A.) will be ready in May 1972.)

FORM NO. 10
EDITION
GEN. REG. NO. 27
5010-107

UNITED STATES GOVERNMENT

Memorandum

TO : Mr. William G. Rhoads, AID Representative DATE: May 19, 1971

FROM : Thomas D. Potter, Capital Development Officer

SUBJECT: Impact

	Certain	Probable
1. Loan 528-L-015 - Housing ($2,000,000)		
a. Completion of a block of apartments		x
b. High degree of visibility, i.e. 1) Raising of walls 2) AID sign	x	
2. Loan 528-L-020 - Airport ($1,175,000)		
Installation Complete		
a. Runway and Taxiway lighting	x	
b. Instrument Landing System	x	
c. VOR	x	
d. Tower equipment	x	
e. VASIS	x	
f. Runway and Taxiway painted		x
3. Loan 528-L-021 - Agricultural Imports		
Anti-tick Campaign - ($500,000)	x	
a. Tickacide Solution - approx. 100 tons		
b. Vehicles - 35 units		
Arrival of other AID-financed Equipment - ($200,000) for Ministry of Agriculture.	x	

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

	Certain	Probable
4. Loan 528-L-022 - Capital Goods Imports		
- Truck Kits - ($1,500,000) IHC Lestido (Dodge) Ford	x	
- Other Capital Equipment - 125units - ($2,500,000) (Approximately $1,000,000 from other LA countries as concrete evidence of President Nixon's untying policy)	x	
- Construction Forms to facilitate construction of 2,000 unit Parque Posadas project at least partially in time for elections. - ($300,000)	x	
- Investment in Frigorifico to permit export - ($300,000) of cooked-frozen beef to the US.		x

EMBASSY OF THE U.S.A.

Date 5/26

To Mr. Rhoades From S M Block

- [ ] For your information
- [ ] For your comments
- [ ] For your approval
- [ ] For your signature
- [ ] Per conversation

- [ ] Please Return

- [ ] Please handle
- [x] As you requested
- [ ] Please take up with me
- [ ] Please file
- [ ] Urgent

List of labor activists & organizations — I have checked the most important

AMERICAN INSTITUTE FOR
FREE LABOR DEVELOPMENT

URUGUAY
Av. 18 de Julio 1044 P. 9, Montevideo

Tel. 8-99-28/29
Direc. Cablegráfica FREELAB

MEMORANDUM

Date: 24 de mayo de 1971

To: Sr. Stephen Block-U. S. Embassy
Agregado Laboral

From: Charles R. Wheeler-AIFLD/U
Country Program Director

Subject: Relación de Actividades del IADSL/U
24 de mayo al 31 de diciembre de 1971

24 al 28 de mayo: Cursillo Nocturno Especial, en Montevideo, para dirigentes del Sindicato Unico de la Cerda.

29 de mayo: Acto de iniciación oficial de la construcción de la primera etapa de la Vivienda Cooperativa Malvín Norte.

31 de mayo al 11 de junio: Curso diurno, en Montevideo, para la formación de activistas sindicales.

14 al 18 de junio: Cursillo Básico Sindical Nocturno, en Montevideo, para filiales de la Confederación Uruguaya de Trabajadores (CUT) y organizaciones fraternales.

14 al 18 de junio: Curso Diurno de Orientación Sindical, en Bella Unión, Departamento de Artigas, para trabajadores de la región.

18 de junio: Congreso Constituyente de la Regional de CUT en Bella Unión, Departamento de Artigas.

19 de junio: Inauguración del Centro Médico del Sindicato Unido Rurales Cañeros de Artigas (SURCA), con asiento en Bella Unión, Departamento de Artigas.

21 al 25 de junio: Cursillo Básico Sindical Nocturno en una localidad del interior de la República a designarse oportunamente.

21 de junio al 2 de julio: Cursillo Especial Nocturno, en Montevideo, para dirigentes de Confederaciones, Federaciones y Sindicatos bases.

Junio: En fecha a establecerse oportunamente, dentro del mes de junio, tendrá lugar en Trinidad, Departamento de Flores, un cursillo básico nocturno para trabajadores de la zona pertenecientes a organizaciones filiales y fraternales de CUT, con la finalidad de crear la Regional CUT en dicho Departamento. Este cursillo tendrá una duración de dos semanas.

5 al 23 de julio: Curso diurno en Montevideo, de tres semanas de duración, para la formación de activistas sindicales.

26 de julio al 13 de agosto: Cursillo Especial Nocturno, en Montevideo, de tres semanas de duración, para dirigentes de Confederaciones, Federaciones y Sindicatos bases.

Julio: En fecha a establecerse oportunamente, dentro del mes de julio, tendrá lugar en la ciudad de Paysandú un cursillo básico para trabajadores de la zona, pertenecientes a organizaciones filiales y fraternales de CUT.

2 al 13 de agosto: Cursillo Básico Sindical Nocturno de dos semanas de duración, en una localidad del interior de la República a designarse oportunamente.

6 al 10 de setiembre: Curso diurno de nivel intermedio, en Montevideo, para trabajadores de organizaciones filiales y fraternales de CUT.

13 al 17 de setiembre: Cursillo Básico Sindical Nocturno, en Montevideo, para trabajadores de organizaciones filiales y fraternales de CUT.

20 al 24 de setiembre: Cursillo Básico Sindical Nocturno en una localidad del interior de la República a designarse oportunamente.

20 de setiembre al 1º de octubre: Cursillo Especial Nocturno de dos semanas de duración, en Montevideo, para dirigentes de Confederaciones, Federaciones y Sindicatos bases.

4 al 18 de octubre: Curso diurno de nivel intermedio de dos semanas de duración, en Montevideo, para trabajadores de organizaciones filiales y fraternales de CUT.

18 al 22 de octubre: Cursillo Básico Sindical Nocturno en Montevideo, para trabajadores de organizaciones filiales y fraternales de CUT.

1º al 13 de noviembre: Cursillo Básico Sindical Nocturno de dos semanas de duración, en una localidad del interior de la República a establecerse oportunamente.

22 al 26 de noviembre: Cursillo Básico Sindical Nocturno en Montevideo, para trabajadores de organizaciones filiales y fraternales de CUT.

29 de noviembre al 3 de diciembre: Curso diurno de nivel intermedio, en Montevideo, para trabajadores de organizaciones filiales y fraternales de CUT.

13 al 17 de diciembre: Cursillo Básico Sindical Nocturno en una localidad del interior de la República a establecerse oportunamente.

Sin perjuicio de las actividades precedentemente indicadas, en fechas que serán señaladas en su momento, tendrán lugar las siguientes tareas:

a) En Montevideo, un Curso Nacional de Capacitación Sindical de seis semanas de duración, en el que intervendrán los mejores alumnos sindicalistas que hayan participado en jornadas previas de instrucción.

b) En Montevideo u otras localidades a fijarse, conferencias especiales para dirigentes.

c) Inauguración del Centro Médico de la Asociación Uruguaya de Músicos (AUDEM). (? ?) There pretty is a problem with Hussein's Union

d) A indicación del Departamento de Proyectos Sociales y de conformidad con las circunstancias, se proseguirá con la educación cooperativa a distintos niveles.

CRW/OR:afs